



NATIONAL FLOOD INSURANCE PROGRAM

Bureau and Statistical Agent

W-03011

MEMORANDUM TO: Write Your Own Company Principal Coordinators and
NFIP Servicing Agent

FROM: WYO Clearinghouse

DATE: March 3, 2003

SUBJECT: 10th Anniversary of Great Midwest Floods and Talking Points for
Agents

This year marks the 10th anniversary of the Great Midwest Floods of 1993. The Federal Insurance and Mitigation Administration (FIMA) anticipates that this milestone will be of great interest to the media.

Attached are some basic facts about the NFIP that insurance agents can use as talking points if they are contacted by their local media to talk about the flood insurance program. We would appreciate your assistance in distributing this information as appropriate.

If you have any questions or need additional information, please contact your Program Coordinator.

Attachment

cc: Vendors, IBHS, FIPNC, WYO Marketing Committee, Government Technical Representative

Suggested Routing: Marketing, Underwriting, Claims

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is the Bureau and Statistical Agent for the National Flood Insurance Program



Flood Insurance Facts

The National Flood Insurance Program

- The National Flood Insurance Program (NFIP) was created by Congress in 1968 to help reduce the cost and damage of flood disasters.
- Through this Program, which is administered by the Federal Insurance and Mitigation Administration (FIMA), part of the Federal Emergency Management Agency (FEMA), federally backed flood insurance is available in communities that adopt and enforce floodplain management ordinances to reduce future flood damage.
 - Nearly 20,000 communities across the country and its territories participate, and more than 4.4 million people have purchased a federally backed flood insurance policy.
- While the NFIP is a national program, the floodplain management ordinances are implemented at the local level, and the insurance is sold through local insurance companies and agents.
- How effective is the program in reducing flood damage? Studies show that structures built in compliance with the NFIP's building standards help reduce the potential flood damage to those buildings by more than 80%.
 - And, when a structure is built to or beyond the standards, the flood insurance premium for that structure is lower, because the flood risk is lower.
- Another way that the NFIP's floodplain management and flood insurance components work together is through the Community Rating System, or CRS. CRS rewards communities that go beyond the requirements for NFIP participation by reducing the flood insurance premiums for policyholders in those communities from 5 to 45 percent.
- A more recent coverage, called Increased Cost of Compliance, or ICC, for eligible structures, was added to the Standard Flood Insurance Policy. ICC helps people rebuild their flood-damaged homes or businesses so they meet the floodplain management codes in the community to reduce future risks.

Flood Insurance Cost and Coverage

- How much does flood insurance cost, and what does it cover?
- The average premium for a flood insurance policy is about \$393 per year for approximately \$142,000 worth of coverage.
 - The maximum coverage amount is \$250,000 for a single-family home and \$100,000 for contents.
 - The maximum coverage amount for a business is \$500,000 for buildings and \$500,000 for contents.



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- A low-cost flood insurance policy, called the Preferred Risk Policy, is available for homeowners who live in low-to-moderate-risk areas. Premiums start **at a little more than \$100 a year.**
 - Under the Preferred Risk Policy single family dwellings can insure to a maximum of \$250,000 in coverage for the building and a maximum of \$60,000 for contents.

It's important to note that flood insurance policies also cover basement structural elements, essential equipment, and other basic items normally located in a basement.

There is a 30-day waiting period before a flood insurance policy becomes effective, so it's important to buy now...not to wait until a flood is imminent.

The Need for Flood Insurance and Who Qualifies for a Flood Insurance Policy

- Everyone has some level of risk for flooding. In fact, 25 percent of all flood insurance claims come from outside high-risk flood zones.
- And, it makes sense to have a flood insurance policy when you consider the following things:
 - Federal disaster assistance is only available if the President declares a Federal Disaster for the area.
 - Disaster assistance is often a loan that must be repaid, in addition to mortgages, loans, and credit card debts.
 - The **monthly** repayment for a disaster home loan **can be** about the same as an **annual** premium payment for flood insurance.
 - By contrast, flood insurance claims are paid even if no disaster is declared.
 - Since 1969, the NFIP has paid more than \$11.9 billion in flood insurance claims.
- Homeowners, renters and small business owners whose communities participate in the NFIP can purchase federally backed flood insurance from their own insurance company or agent.
 - If you are interested in getting more information or want to buy a flood insurance policy, please give me a call at _____.
- I encourage you to find out more about flood insurance backed by the Federal Government today, because with the changing weather patterns, new development that decreases the ground's ability to absorb rainwater, and other situations that are unique to every town, it makes more sense now than ever before to protect your home, business and your family from the devastation floods cause every year.